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AN ACT  
DIRECTING THE MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES  
COMMISSION TO MAKE RECOMMENDATIONS FOR REDESIGNING THE MENTAL  
HEALTH AND DEVELOPMENTAL DISABILITIES SERVICES SYSTEM FOR  
ADULTS AND PROVIDING AN EFFECTIVE DATE.  
BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
Section 1. MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES  
SERVICES SYSTEM REDESIGN.  
In fulfilling the mental health and developmental  
disabilities commission's duty under section 225C.6,  
subsection 1, paragraph "q", the commission shall submit a  
report containing recommendations in accordance with this  
section to the governor and general assembly on or before  
December 31, 2003, for redesign of the state's mental health  
and developmental disabilities services system for adults.  
The commission shall address all of the following system  
components in the report and recommendations:  
1. STANDARD CLINICAL AND FINANCIAL ELIGIBILITY.  
The commission shall do all of the following:  
a. Propose a standard set of clinical and diagnostic  
eligibility requirements for use in determining which  
individuals will be covered for defined core services,  
including but not limited to, general clinical eligibility  
standards, service access criteria, level of care  
requirements, and terminology changes.  
b. Propose financial eligibility criteria for qualifying  
covered individuals, including guidelines for resources,  
copayments, income, and assets.  
c. Identify the total projected cost for all counties to  
adopt the standardized clinical and financial eligibility  
requirements and criteria proposed by the commission.  
2. MINIMUM SET OF CORE SERVICES.  
The commission shall do all of the following:  
a. Identify a minimum set of core services to be provided  
by each county. This core set of services shall be available  
statewide. An individual's eligibility for core services  
shall be based on consistent clinical criteria and service  
necessity.  
b. Identify the total projected cost for all counties to  
make the core services available.  
c. Design the core set of services as a replacement for  
the current statutory mandates for services. The purpose of  
replacing the current statutory mandates with the core set of  
services is to shift the emphasis to community-based services  
by providing covered individuals a reasonable level of choice  
to meet their individual needs within available funding. The  
initial set of core services considered by the commission  
shall include all of the following community-based services:  
(1) Mental health outpatient treatment.  
(2) Inpatient psychiatric evaluation and treatment at  
county-designated facilities.  
(3) Service coordination and case management.  
(4) Vocational services.  
(5) Residential services.  
3. FUNDING FOLLOWS THE COVERED INDIVIDUAL.  
The commission shall include a process by which funding  
follows the covered individual among the options considered,  
including but not limited to the following:  
a. Develop a new formula that allows public funding to  
follow the covered individual regardless of categorical  
funding. Distribution of state funds shall be based on a  
matrix of disability-related reimbursement rate cells. Each  
cell shall specify a reimbursement rate based on disability  
group and level of functioning. The funding formula shall  
take into account the number of covered individuals enrolled  
in each county and the average cost of services provided to  
covered individuals in each cell. The formula shall  
incorporate all of the following principles:  
(1) Each county will receive a quarterly allotment equal  
to the product of the average costs per cell times the number  
of individuals enrolled in each cell during the previous

3 6 quarter. To accommodate cash flow needs of counties and  
3 7 reduce the level of fund balances counties need to maintain,  
3 8 the state would make payments at the beginning of each quarter  
3 9 based on the anticipated number of covered individuals, with a  
3 10 reconciliation in the next quarter to the actual number of  
3 11 covered individuals.

3 12 (2) Increasing overall state funding levels in proportion  
3 13 to county funding levels.

3 14 (3) Allocating any increased state funding to achieve  
3 15 statewide equity in service access.

3 16 (4) Allocating the state funding for state institutions  
3 17 through counties rather than directly to the institutions so  
3 18 that these services operate on an equal basis with other  
3 19 services.

3 20 (5) Allocating state funding and administrative costs for  
3 21 state cases to the covered individual's county of residence.

3 22 (6) Allocating the risk for service cost increases to the  
3 23 counties and allocating the cost for increases in the number  
3 24 of covered individuals to the state. Risk allocation  
3 25 provisions shall address methods for managing the risk.

3 26 (7) Providing for risk management and flexibility  
3 27 provisions such as cell rate adjustments, allowing waiting  
3 28 lists to be used for an unanticipated increase in the number  
3 29 of covered individuals, distributing quarterly allocations to  
3 30 counties based upon the previous quarter's number of covered  
3 31 individuals, removing categorical funding restrictions,  
3 32 applying standards to ensure county cash flow capacity, and  
3 33 allowing inflation adjustments.

3 34 (8) Expanding the state risk pool provisions under section  
3 35 426B.5 to allow access to risk pool funding for specific  
4 1 purposes and to allow counties to maintain a certain level of  
4 2 fund balances in order to address certain cost factors.

4 3 b. All of the following factors shall be considered in  
4 4 developing formula provisions for calculating the distribution  
4 5 of funds:

4 6 (1) A county's ability to levy based on available taxable  
4 7 valuation and average per capita income.

4 8 (2) A requirement for each county to have a fund balance  
4 9 sufficient to cover all of the following:

4 10 (a) Cash flow for current services.

4 11 (b) Building maintenance and repair costs.

4 12 (c) Investments in new programs.

4 13 (d) A local risk pool that will cover extraordinary  
4 14 expenses while a county is preparing an application to the  
4 15 statewide risk pool.

4 16 (3) County costs for administration and infrastructure.

4 17 (4) Funds for counties to pay the costs of crisis  
4 18 response, hospital diversion, prevention, consultation,  
4 19 education, and outreach services that are provided outside the  
4 20 rate cell methodology or fee payment policy.

4 21 (5) Incentives to counties for coordination,  
4 22 collaboration, and infrastructure development.

4 23 c. Identify state and county costs to implement the  
4 24 proposed funding formula for the individuals and services  
4 25 identified under subsections 1 and 2.

4 26 4. ADDRESS THE LEGAL SETTLEMENT PROCESS.

4 27 The commission shall consider options for addressing the  
4 28 deficiencies in the legal settlement process currently used  
4 29 for determining governmental financial liability for service  
4 30 costs. The options considered may include but are not limited  
4 31 to providing for a transition to a system that provides for  
4 32 service access based upon an individual's residency.

4 33 5. COORDINATION OF FUNDING STREAMS.

4 34 The commission shall do all of the following:

4 35 a. Develop a specific approach for counties and the state  
5 1 to access additional federal housing funds.

5 2 b. In consultation with counties, support new efforts to  
5 3 maximize federal funding for defined core services, including  
5 4 accessing federal funds to support or match county  
5 5 expenditures to standardize inpatient and outpatient treatment  
5 6 and hospital diversion costs for Medicaid program recipients.

5 7 c. Develop recommendations identifying the manner in which  
5 8 services will be funded by the federal government, the state,  
5 9 and the counties.

5 10 Sec. 2. EFFECTIVE DATE. This Act, being deemed of  
5 11 immediate importance, takes effect upon enactment.

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CHRISTOPHER C. RANTS  
Speaker of the House

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MARY E. KRAMER  
President of the Senate

I hereby certify that this bill originated in the House and  
is known as House File 529, Eightieth General Assembly.

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MARGARET THOMSON  
Chief Clerk of the House

Approved \_\_\_\_\_, 2003

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THOMAS J. VILSACK  
Governor